

# DEPARTMENT OF REVENUE

## FINANCIAL SUMMARY

	FY 2005 EXPENDITURE	FY 2006 APPROPRIATION	FY 2007 REQUEST	GOVERNOR RECOMMENDS FY 2007
Division of Administration	\$ 16,008,473	\$ 13,438,240	\$ 0	\$ 0
Division of Taxation	40,766,640	43,117,991	0	0
Division of Motor Vehicle and Drivers Licensing	33,152,695	20,274,746	0	0
State Tax Commission	2,757,087	2,718,984	2,642,667	2,739,639
Distributions	229,948,443	232,349,888	228,224,435	223,606,664
State Lottery Commission	118,044,632	116,324,070	122,050,903	116,561,988
Customer Services Division	0	0	51,678,600	46,543,445
Legal Services Division	0	0	4,604,809	4,771,086
Fiscal Services Division	0	0	18,026,837	18,418,808
DEPARTMENTAL TOTAL	\$ 440,677,970	\$ 428,223,919 *	\$ 427,228,251	\$ 412,641,630
General Revenue Fund	76,582,278	95,788,938	93,313,097	84,555,411
Federal Funds	6,322,475	7,644,994	6,403,854	6,404,905
Child Support Enforcement Collection Fund	2,621,909	2,621,930	2,621,930	2,622,814
Health Initiatives Fund	51,192	53,829	54,085	55,873
Division of Aging Elderly Home				
Delivered Meals Trust Fund	15,297	22,204	22,204	11,860
Petroleum Storage Tank Insurance Fund	25,002	25,169	25,169	26,131
Motor Vehicle Commission Fund	939,653	1,022,339	1,120,790	1,109,954
Conservation Commission Fund	710,855	539,158	539,222	526,094
Department of Revenue Information Fund	881,747	988,916	816,307	777,756
State Highways and Transportation				
Department Fund	43,781,989	15,154,920	12,223,238	11,950,133
Lottery Enterprise Fund	118,044,632	116,324,070	122,050,903	116,561,988
Petroleum Inspection Fund	32,223	32,452	32,452	33,631
Motor Fuel Tax Fund	190,668,718	188,000,000	188,000,000	188,000,000
Department of Revenue Specialty Plate Fund	0	5,000	5,000	5,080
Full-time equivalent employees	2,052.82	1,794.76	1,644.91	1,644.91

\* Does not include \$13,209 recommended in the Fiscal Year 2006 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Revenue supplemental appropriations.

## DEPARTMENT SUMMARY

Governor Blunt's Fiscal Year 2007 budget provides a total of \$412.6 million for the Department of Revenue. The department serves as the primary revenue collection agency for the State of Missouri. It strives to ensure that all taxes and fees owed to the state are paid, taxpayers are served conscientiously and efficiently, and revenues are collected at minimal administrative expense. The core functions provided by the Department of Revenue include:

- Preparing tax forms.
- Processing tax forms, returns, associated payments, and refunds.
- Titling and registering motor vehicles.
- Licensing drivers.
- Investigating instances of suspected tax or fee avoidance.

## **DEPARTMENT OF REVENUE**

### **DIVISION OF ADMINISTRATION**

The Division of Administration worked in unison with the operational divisions in support of their roles of tax collection, titling and registering vehicles, and licensing drivers. This division has been reallocated to the Fiscal Services Division and Legal Services Division.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$1,170,000 transferred from the Department of Public Safety for law enforcement costs of driver licensing and vehicle titling.
- \$10,801,706 and 267.5 staff reallocated from various divisions, including \$10,222,595 general revenue.
- (\$25,409,946) and (473.43) staff reallocated to various divisions, including (\$19,497,022) general revenue.

### **DIVISION OF TAXATION**

The Taxation Bureau was responsible for administering and enforcing taxation and collection regulations. This division has been reallocated to the Customer Services Division.

#### **Fiscal Year 2007 Governor's Recommendations**

- (\$43,117,991) and (885.27) staff reallocated to various divisions, including (\$31,894,558) general revenue.

### **DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING**

The Division of Motor Vehicle and Drivers Licensing was responsible for administering and enforcing vehicle registration and titling and driver license regulations. This division has been reallocated to the Customer Services Division.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$3,830,000 transferred from the Department of Public Safety for law enforcement costs of driver licensing and vehicle titling.
- \$3,182,575 and 66.85 staff reallocated from various divisions, including \$1,911,035 general revenue.
- (\$27,287,321) and (535.16) staff reallocated to various divisions, including (\$14,462,116) general revenue.

### **CUSTOMER SERVICES DIVISION**

The Customer Services Division serves Missouri citizens by providing taxation, motor vehicle, and licensing services. The Taxation Bureau is responsible for administering and enforcing taxation and collection regulations. Its collection activities include account management, lien filing, third-party collection referrals, tax clearances, and debt offsets. The bureau has eight in-state field offices (St. Louis, Kansas City, Springfield, Jefferson City, Joplin, St. Joseph, Columbia, and Cape Girardeau) that handle taxpayer assistance inquiries. Tax auditors are stationed in these offices and four out-of-state offices (Chicago, Dallas, Los Angeles, and New York) to foster compliance with Missouri tax laws. The Motor Vehicle Bureau is responsible for administering and enforcing vehicle registration and titling regulations. It titles and registers motor vehicles and watercraft, licenses motor vehicle dealers and boat dealers, and collects state and local sales/use tax and other vehicle fees. The Driver License Bureau is responsible for administering and enforcing driver license regulations and financial responsibility programs. The Customer Assistance Bureau oversees 184 contract license offices that provide driver licensing and motor vehicle titling and registration services to Missourians.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$1,893,890 for law enforcement costs of driver licensing and motor vehicle titling.
- \$1,082,837 for pay plan, including \$841,548 general revenue.
- \$59,607,964 and 1,152.43 staff reallocated from various divisions, including \$36,105,959 general revenue.
- (\$15,924,685) and (148.85) staff transferred to the Office of Administration for statewide consolidated information technology services, including (\$10,767,656) general revenue.
- (\$116,561) transferred to the statewide leasing budget.

## **DEPARTMENT OF REVENUE**

### **LEGAL SERVICES DIVISION**

The General Counsel's Office advises the director on legal matters and represents the director in legal proceedings. The Governmental Affairs Bureau develops and tracks the department's legislation and estimates the fiscal impact of legislation that relates to the department. The Criminal Investigation Bureau investigates suspected tax, motor vehicle, dealers, and driver license fraud, and prepares cases for prosecution. Human Resource Services and Development is responsible for recruitment, training, employee relations' services, and payroll processing.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$114,292 Motor Vehicle Commission Fund and three staff to ensure funding is properly aligned with duties of criminal investigators.
- \$172,420 for pay plan, including \$114,989 general revenue.
- \$4,604,809 and 114.58 staff reallocated from various divisions, including \$3,026,132 general revenue.
- (\$114,292) and (three) staff core reduction from the Fiscal Year 2006 appropriation level.
- (\$6,143) Motor Vehicle Commission Fund transferred to the Office of Administration for statewide consolidated information technology services.

### **FISCAL SERVICES DIVISION**

The Director of Revenue's office supervises all operations of the department. The Financial and General Services Bureau provides accounting, procurement, cash management, stores, receiving, mail operations, warehousing, archival, delivery, motor pool, and facility services to the department. The Internal Compliance Bureau reviews and evaluates the department's accounting controls and appraises the effectiveness and efficiency of the use of department resources. Field Compliance Bureau auditors are stationed in eight in-state offices and four out-of-state offices (in the same locations as the Customer Service Division) to foster compliance with Missouri tax laws.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$306,319 for costs due to increased postage rates, including \$208,014 general revenue.
- \$103,740 to replace obsolete letterpress technology with mandatory digital technology, including \$70,543 general revenue.
- \$445,805 for pay plan, including \$407,006 general revenue.
- \$17,618,204 and 292.50 staff, reallocated from various divisions, including \$14,587,975 general revenue.
- (\$55,260) transferred to the Office of Administration for statewide consolidated information technology services, including (\$48,439) general revenue.

### **STATE TAX COMMISSION**

The State Tax Commission is a quasi-judicial administrative agency created by the Missouri Constitution to perform six basic functions. These functions are: to equalize inter- and intra-county assessments; conduct de novo judicial hearings regarding valuation and classification appeals from local boards of equalization; formulate and implement statewide assessment policy and procedures to comport with statutory and constitutional mandates; supervise local assessing officials and local assessment programs to ensure compliance with statewide requirements; conduct ratio studies to determine the assessment level in each county and to measure the quality of the assessments; and assess the distributable property of railroads and public utilities.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$96,972 for pay plan.
- (\$76,317) and (one) staff transferred to the Office of Administration for statewide consolidated information technology services.

**DEPARTMENT OF REVENUE  
DISTRIBUTIONS**

**FINANCIAL SUMMARY**

	FY 2005 EXPENDITURE	FY 2006 APPROPRIATION	GOVERNOR RECOMMENDS FY 2007
Prosecuting Attorneys and Collection Agencies	\$ 2,897,247	\$ 2,580,000	\$ 2,580,000
County Filing Fees	160,043	450,000	450,000
Contingency Fees for Collection Enhancements	5,969,812	3,500,000	0
Contract Auditors	2,594	0	0
Tax Data Matching for Collection Enhancements	84,708	7,600,000	0
State Share of Assessment Maintenance Costs	18,785,668	18,785,668	18,785,668
Certification Compensation	75,561	77,112	77,112
Motor Fuel Tax Distribution to Cities and Counties	190,668,718	188,000,000	188,000,000
County Stock Insurance Tax	150,000	500,000	500,000
Homestead Preservation Credit	0	0	2,000,000
Debt Offset For Tax Credits Transfer	0	1,000	20,000
Debt Offset Transfer	10,797,862	10,512,884	10,797,884
Income Tax Refund Designations	356,230	343,224	396,000
<b>TOTAL</b>	<b>\$ 229,948,443</b>	<b>\$ 232,349,888</b>	<b>\$ 223,606,664</b>
General Revenue Fund	38,131,925	44,349,888	35,606,664
Conservation Commission Fund	171,718	0	0
State Highways and Transportation			
Department Fund	976,082	0	0
Motor Fuel Tax Fund	190,668,718	188,000,000	188,000,000

**PAYMENTS TO PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES**

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by collection agencies or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

Section 140.850, RSMo, authorizes the Department of Revenue to use commercial collection agencies to collect delinquent taxes owed by resident and non-resident taxpayers (individuals and businesses). The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected.

**Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

**COUNTY FILING FEES**

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

**Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

**CONTINGENCY FEES FOR COLLECTION ENHANCEMENTS**

The Department of Revenue contracted with a private firm to generate additional collections through enhancements to its Computer-Assisted Collection System (CACS). The vendor will be paid only to the extent that the enhancements generate additional revenue in excess of an agreed upon baseline amount. The CACS upgrade will be completed in Fiscal Year 2006.

**Fiscal Year 2007 Governor's Recommendations**

- (\$3,150,000) core reduction from the Fiscal Year 2006 level.
- (\$350,000) transferred to the Office of Administration for statewide consolidated information technology services.

## **DEPARTMENT OF REVENUE**

### **TAX DATA MATCHING FOR COLLECTION ENHANCEMENTS**

The tax data matching system allows the department to enhance the collection process by focusing on habitually delinquent accounts and those that avoid tax filing and payment to the state.

#### **Fiscal Year 2007 Governor's Recommendations**

- (\$4,617,771) transferred to the Office of Administration for statewide consolidated information technology services.
- (\$2,982,229) core reduction from the Fiscal Year 2006 level.

### **STATE SHARE OF ASSESSMENT MAINTENANCE COSTS**

The state reimburses a portion of the costs and expenses for maintaining assessments by the county assessors and the St. Louis City assessor.

#### **Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

### **CERTIFICATION COMPENSATION**

The state provides quarterly compensation to assessors, except those in first-class charter counties, who maintain an education certification with the State Tax Commission.

#### **Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

### **HOMESTEAD PRESERVATION TAX CREDIT**

Section 137.106, RSMo, the Homestead Preservation Act, enables qualified senior citizens and disabled persons to obtain a credit against their property taxes for an increase to their taxes that exceeds established thresholds. This appropriation provides funds to be distributed to county governments to offset property taxes of qualified applicants.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$2,000,000 for distribution to various county governments.

### **MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES**

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the Motor Fuel Tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that 10 percent of the net proceeds from Motor Fuel Tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the Motor Fuel Tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

#### **Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **COUNTY STOCK INSURANCE**

The Department of Revenue uses this appropriation to meet the apportionment requirements for the County Stock Insurance Tax required by Section 148.330, RSMo, while holding school districts and counties harmless to reductions from tax credits.

#### **Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

### **DEBT OFFSET FOR TAX CREDITS**

SB 1099 (2004) requires that tax credit applicants must apply any award to any delinquent income, sales, use, or insurance taxes. After applying all credits toward any delinquencies, the applicant can be issued any remaining credits. The Department of Revenue uses this appropriation to hold harmless local tax jurisdictions for local sales tax delinquencies.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$19,000 for distribution to local tax jurisdictions.

### **DEBT OFFSET TRANSFER**

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Office of State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$285,000 to offset debts owed to the state against tax refunds.

### **INCOME TAX CHECK-OFF REFUND DESIGNATIONS**

State statutes permit individuals and corporations to contribute a portion of any income tax refund that they are owed to seven separate state trust funds or nine separate charitable trust funds. The seven state trust funds include the Children's Trust Fund (Section 210.174, RSMo); the Division of Aging Elderly Home Delivered Meals Trust Fund (Section 660.078, RSMo); the Veterans' Trust Fund (Section 42.140, RSMo); the Missouri National Guard Trust Fund (Section 41.215, RSMo); the Workers Memorial Fund (Section 143.1025, RSMo); the Childhood Lead Testing Fund (Section 143.603, RSMo); and the Missouri Military Family Relief Fund (Section 143.822, RSMo). The nine charitable funds (Section 143.605, RSMo) include: the American Cancer Society, Heartland Division, Inc., Fund; the ALS Lou Gehrig's Disease Fund; the American Lung Association of Missouri Fund; the Muscular Dystrophy Association Fund; the Arthritis Foundation Fund; the American Diabetes Association Gateway Area Fund; the American Heart Association Fund; the March of Dimes Fund; and the National Multiple Sclerosis Society Fund. The amounts designated by taxpayers for distribution to the seven trust funds are transferred from the General Revenue Fund.

#### **Fiscal Year 2007 Governor's Recommendations**

- \$52,776 for distribution to various income tax check-off funds.

**DEPARTMENT OF REVENUE****STATE LOTTERY COMMISSION**

The Missouri State Lottery was established by voter approval of Constitutional Amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

**Fiscal Year 2007 Governor's Recommendations**

- \$271,705 Lottery Enterprise Fund for pay plan.
- (\$33,787) Lottery Enterprise Fund transferred to the statewide leasing budget.

	FY 2005 EXPENDITURE	FY 2006 APPROPRIATION	GOVERNOR RECOMMENDS FY 2007
Operating Expense			
Personal Service	\$ 6,541,460	\$ 6,792,627	\$ 7,064,332
Expense and Equipment	32,808,499	29,531,443	29,497,656
Prizes	<u>78,694,673</u>	<u>80,000,000</u>	<u>80,000,000</u>
TOTAL			
Lottery Enterprise Fund	\$ 118,044,632	\$ 116,324,070	\$ 116,561,988
Full-time equivalent employees	177.72	176.50	176.50

**LOTTERY ENTERPRISE FUND TRANSFER**

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

**Fiscal Year 2007 Governor's Recommendations**

Continue funding at the current level.

	FY 2005 EXPENDITURE	FY 2006 APPROPRIATION	GOVERNOR RECOMMENDS FY 2007
Lottery Enterprise Fund	\$ 218,285,010	\$ 217,956,990	\$ 217,956,990